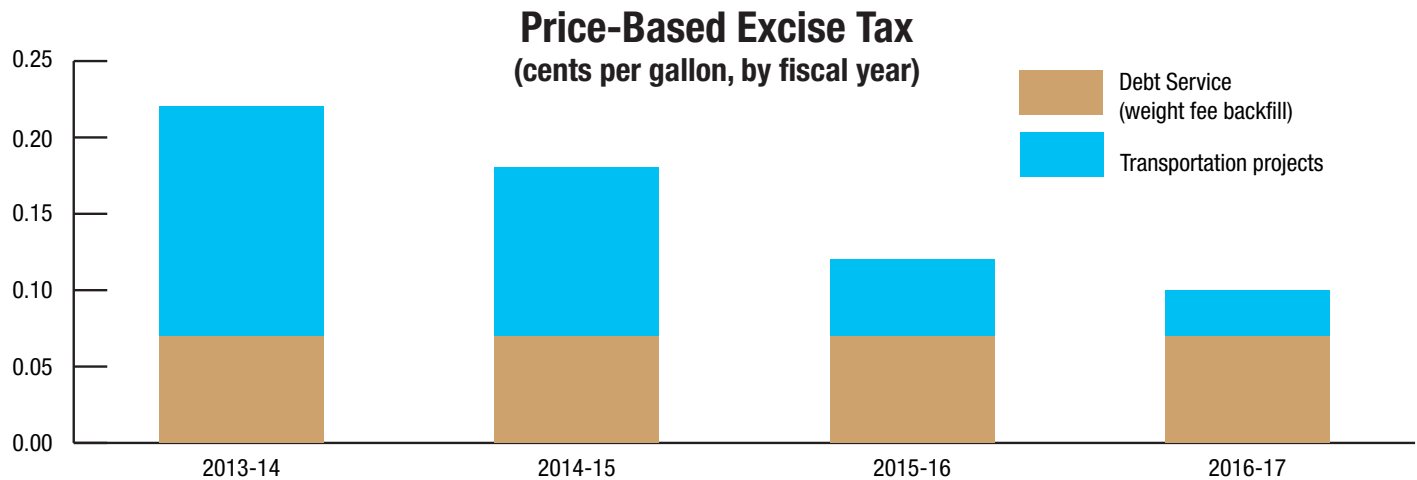
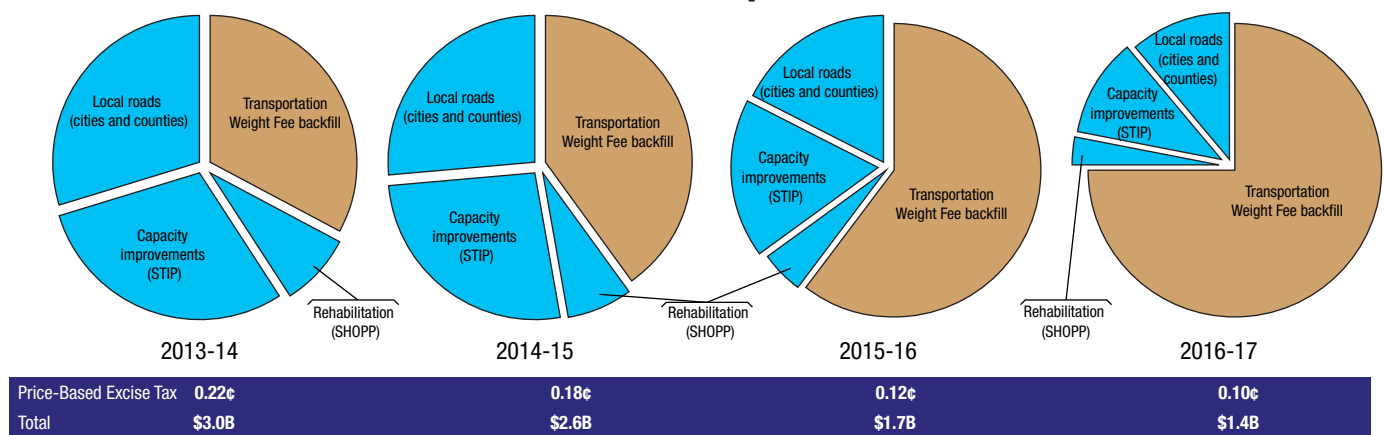


Revenue from Gas Tax Continues to Slide



How It's Spent



Every other year, Caltrans develops a fund estimate that forecasts revenue, then compares it against commitments for ongoing efforts to project how much funding is available for additional projects. The latest fund estimate shows a slight increase to major maintenance, but also a significant decrease to State Transportation Improvement Program (STIP) funding, which pays for highway improvements, intercity rail and transit improvements.

This reduction in funds is a direct result of the fall in the price-based excise tax – collected on each gallon of fuel sold – from 18 cents per gallon last year, to 12 cents per gallon in the current fiscal year. Due to continuing low prices, the price-based excise tax is expected to be 9.8 cents in 2016-17. The reduction in the price-based excise tax impacts the STIP, the cities and counties and the SHOPP.

As a result, based on the most realistic revenue projection available, the California Transportation Commission announced at its January meeting that it was reducing its fund estimate for the STIP by \$754 million over the next five years. This means that many projects throughout the

state will have to be delayed or removed from the program. Funding for local roads will also be cut from \$301 million in 2015-16 to \$153 million in the proposed budget for next year. The same cut for capacity improvements (STIP) is also being proposed. Likewise, funding for rehabilitation will be cut from \$82 million to \$42 million.

Underfunding transportation projects and the huge swings in revenue are but a symptom of the bigger problem: gasoline is no longer a good indicator of how much the highways are being used. With better gas mileage and alternative fuel vehicles, there is no longer a connection between how much someone uses the state highway system and how much taxes one pays to maintain and improve that system.

Gov. Edmund G. Brown Jr. called a special session of the Legislature to examine tax law as it relates to transportation in an attempt to remedy the problem. Subsequently, he included his plan in the proposed Governor's Budget released in January. The deadline for adoption of his proposal is June 30.

Source: Division of Budgets
Contributor: Gina Coates